

Company Registration No: 2354214

LOMBARD VENTURE FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003



**3 Princess Way,
Redhill,
Surrey
RH1 1NP**

LOMBARD VENTURE FINANCE LIMITED

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LOMBARD VENTURE FINANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G S-S Ashworth
G C Clemett
N T J Clibbens
P A Lynam

SECRETARY

C J Whittaker

REGISTERED OFFICE

3 Princess Way,
Redhill,
Surrey
RH1 1NP

AUDITORS

Deloitte & Touche LLP
London

Registered in England and Wales

LOMBARD VENTURE FINANCE LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the financial statements for the year ended 31 December 2003.

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the provision of credit finance by way of leasing.

The retained profit for the period was £257,000 (2002: £389,000) and this was transferred to reserves. The net amount financed under all forms of financial agreements entered into during the year was £nil (2002: £nil). The directors do not propose to pay a dividend for the year (2002: £nil).

The company traded profitably during the year under review and the directors expect that it will continue to do so.

DIRECTORS

The names of the present directors and secretary are as listed on page 1.

From 1 January 2003 to date the following changes have taken place:

Directors	Appointed	Resigned
Mr C G Knowles		4 March 2004
Mr C P Sullivan		4 March 2004
Mr P Marrow	1 March 2004	31 October 2004
Mr G S-S Ashworth	1 March 2004	
Mr G C Clemett	7 May 2004	
Mr N T J Clibbens	7 May 2004	
Mr N Pearce		7 May 2004
Mr J D Stuart		7 May 2004
Mr P A Lynam	1 November 2004	

DIRECTORS' INTERESTS

No director had an interest in the shares of the company at any time during the year.

At the year end Mr C G Knowles, Mr N Pearce and Mr C P Sullivan were also directors of the immediate parent undertaking, Lombard North Central PLC, a company which is itself required to keep a register of directors' interests. Their interest in the shares of The Royal Bank of Scotland Group plc are disclosed in the accounts of Lombard North Central PLC.

The following director was beneficially interested in the ordinary shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2003	As at 31 December 2003
Mr J D Stuart	1,980	2,058

LOMBARD VENTURE FINANCE LIMITED

DIRECTORS' REPORT

DIRECTORS' INTERESTS (Continued)

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised during the period by the following directors of the Company and members of their immediate family are:

	As at 1 January 2003 No.	Granted during the period Options No.	Price £	Exercised during the period Options No.	Price £	As at 31 December 2003 No.
Mr J D Stuart	31,399	243	13.07	150	12.40	31,492

The following directors were beneficially interested in the Additional Value Shares of The Royal Bank of Scotland Group plc:

	As at 1 January 2003	As at 31 December 2003
Mr J D Stuart	1,186	-

On 31 December 2003, the Additional Value Shares were de-listed from The London Stock Exchange, converted to Non-Voting Deferred Shares and transferred to RBS NVDS Nominees Limited. None of the directors has an interest in the Non-Voting Deferred Shares.

The following directors were beneficially interested in the Floating Rate Unsecured Loan Notes 2005 of The Royal Bank of Scotland Group plc:

	As at 1 February 2003	As at 31 January 2004
Mr J D Stuart	2,148	2,148

No other interests in the share or loan capital of The Royal Bank of Scotland Group plc group undertakings have been notified by any director.

DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

LOMBARD VENTURE FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES (Continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ELECTIVE RESOLUTIONS

Elective resolutions electing to dispense with the requirement to hold annual general meetings, lay accounts before a general meeting and re-appointment of auditors annually were passed on 21 October 1992.

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 23 September 2003 under the provisions of Section 26(5) of the Companies Act 1989. The company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of Section 386(2) of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



Graham Colin Clemett
Director 15 December 2004

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LOMBARD VENTURE FINANCE LIMITED**

We have audited the financial statements of Lombard Venture Finance Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, 15 December 2004

LOMBARD VENTURE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
Turnover	2	1,116	1,544
Operating charges		<u>(347)</u>	<u>(215)</u>
Operating profit	3	769	1,329
Interest payable	4	<u>(382)</u>	<u>(615)</u>
Profit on ordinary activities before taxation		387	714
Taxation charge on profit on ordinary activities	6	<u>(130)</u>	<u>(325)</u>
Profit on ordinary activities after taxation and retained profit for the financial year	9	<u>257</u>	<u>389</u>

All items dealt with in arriving at profit on ordinary activities before taxation for 2003 and for 2002 arise from continuing operations.

RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £257,000 in the year ended 31 December 2003 and the profit of £389,000 in the year ended 31 December 2002.

The notes on pages 8 to 13 form part of these financial statements.

LOMBARD VENTURE FINANCE LIMITED

BALANCE SHEET

AT 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
<u>ASSETS</u>			
CURRENT ASSETS			
Debtors falling due within one year	7	4,037	4,784
Debtors falling due after more than one year	7	<u>6,082</u>	<u>9,665</u>
		<u>10,119</u>	<u>14,449</u>
<u>LIABILITIES</u>			
CAPITAL AND RESERVES			
Called up share capital	8	-	-
Profit and loss account	9	<u>(4,588)</u>	<u>(4,845)</u>
TOTAL EQUITY SHAREHOLDERS' DEFICIT	10	(4,588)	(4,845)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	-	-
CREDITORS	12	<u>14,707</u>	<u>19,294</u>
		<u>10,119</u>	<u>14,449</u>

The financial statements were approved at a meeting of the board of directors on 15 December 2004 and were signed on their behalf by:



Graham Colin Clemett

Director

The notes on pages 8 to 13 form part of these financial statements.

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a. Accounting Convention

The financial statements have been prepared upon the basis of historical cost and in accordance with applicable United Kingdom law and accounting standards.

The company's accounts fall within the scope of the Statement of Recommended Practice ("SORP") issued by the Finance & Leasing Association. The accounts have been prepared in accordance with the SORP in all material aspects.

b. Finance Leases

Income from finance leases is recognised over the primary period of the lease in order that post tax profits are allocated to accounting periods so as to give a constant periodic rate of return on the net cash investment. Finance lease receivables are stated at the amount of the net cash investment in the lease.

The balance sheet carrying values of finance lease assets include balances in respect of residual values. Unguaranteed residual values are subject to regular review and movements are reflected via the depreciation charge. Details in respect of unguaranteed residual values are given in note 13.

c. Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on the year-end appraisal of loans and advances having regard to both specific and general factors. The general element arises in relation to existing losses which, although not separately identified, are known from experience to be present in any portfolio of loans and advances. Provisions have been made in respect of all impaired advances. Provisions made, less amounts released, during the year are included in operating charges.

d. Taxation

Provision is made for taxation at current enacted rates on taxable profits.

Deferred tax is provided in full, without discounting, in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are only recognised to the extent that it is regarded that it is more likely than not that they will be recovered. Deferred tax amounts are not discounted.

e. Other operating charges

Other operating charges includes provisions for bad and doubtful debts and other operating charges. Specific provisions are made against advances for which recovery is considered to be doubtful.

General provision is made in respect of losses which, although not separately identified, are known from experience to be present in any portfolio of leasing assets. Other operating charges, including management charges, are accounted for on an accruals basis.

f. Cashflow Statement

As a wholly owned subsidiary of The Royal Bank of Scotland Group plc, the company has taken advantage of the exemption permitted by Financial Reporting Standard 1, 'Cash Flow Statements', and does not prepare a cash flow statement.

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. TURNOVER

- (i) Turnover represents lease income and termination adjustments credited to the profit and loss account during the year, all of which arises in the United Kingdom and is from continuing activities.

	2003 <u>£'000</u>	2002 <u>£'000</u>
(ii) Aggregate rentals receivable during the year under finance leases	<u>2,753</u>	<u>4,466</u>

3. OPERATING PROFIT

There is no charge in this year's financial statements for auditors' remuneration as the fee is to be charged in the financial statements of the immediate parent undertaking (2002 - £nil).

4. INTEREST PAYABLE

	2003 <u>£'000</u>	2002 <u>£'000</u>
On bank loans and overdrafts, and other loans:		
To group undertakings	99	95
Finance charges in respect of finance leases	<u>283</u>	<u>520</u>
	<u>382</u>	<u>615</u>

5. EMPLOYEES, DIRECTORS' REMUNERATION AND INTERESTS

No emoluments were paid to any director by the company during the year (2002 - £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the company (2002 - £nil).

The company had no employees during the year (2002: nil).

Employee costs are incurred by the immediate parent company, Lombard North Central PLC, and allocated together with other overheads by way of a management charge to the company.

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION CHARGE ON PROFIT ON ORDINARY ACTIVITIES	2003 <u>£'000</u>	2002 <u>£'000</u>
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A) Analysis of charge in the year

Current taxation:		
Group relief payable*	129	2,130
Adjustments in respect of prior years	<u>1</u>	<u>(1,800)</u>
	130	330
Deferred taxation:		
Origination and reversal of timing differences (note 11)	-	(4,204)
Adjustments in respect of prior years (note 11)	<u>-</u>	<u>4,199</u>
	-	(5)
	<u>130</u>	<u>325</u>

* Provision for group relief is made on the assumption that the claimant companies will make payment to the surrendering companies at rates appropriate to the periods in which the losses claimed are utilised.

B) Factors affecting the tax charge for the year

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 30% (2002: 30%). The differences are explained below:

	2003 <u>£'000</u>	2002 <u>£'000</u>
Profit on ordinary activities before tax	<u>387</u>	<u>714</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	116	215
Effects of:		
Capital allowances for the year in excess of depreciation	-	115
Other timing differences	13	-
Adjustments in respect of prior years	<u>1</u>	<u>-</u>
Current tax charge for the year	130	330
Deferred taxation:		
Origination and reversal of timing differences (note 11)	-	(4,204)
Adjustments in respect of prior years (note 11)	<u>-</u>	<u>4,199</u>
	<u>130</u>	<u>325</u>

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DEBTORS	2003	2002
	<u>£'000</u>	<u>£'000</u>
Amounts falling due:		
i) Within one year		
Trade debtors	68	50
Amounts owed by group undertakings	-	1,150
Net investment in finance leases	3,690	3,377
Other debtors	225	43
Prepayments and accrued income	<u>54</u>	<u>164</u>
	4,037	4,784
ii) After more than one year		
Net investment in finance leases	6,082	9,665
Total debtors	<u><u>10,119</u></u>	<u><u>14,449</u></u>

8. CALLED UP SHARE CAPITAL

	2003		2002	
	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>	<u>Authorised</u>	<u>Allotted, called up and fully paid</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Ordinary shares of £1 each	<u>1,000</u>	<u>100</u>	<u>1,000</u>	<u>100</u>

All of the above share capital relates to equity funds.

9. PROFIT AND LOSS ACCOUNT

	<u>£'000</u>
Balance at 1 January 2003	(4,845)
Profit for the financial year	257
Balance at 31 December 2003	<u><u>(4,588)</u></u>

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2003	2002
	<u>£'000</u>	<u>£'000</u>
Profit attributable to members of the company	257	389
Opening shareholders' deficit	<u>(4,845)</u>	<u>(5,234)</u>
Closing shareholders' deficit	<u><u>(4,588)</u></u>	<u><u>(4,845)</u></u>

11. DEFERRED TAXATION

At 31 December 2003 and at 31 December 2002 there is no material difference between accounting and taxation book values.

12. CREDITORS

	2003	2002
	<u>£'000</u>	<u>£'000</u>
Amounts falling due:		
i) Within one year		
Trade creditors	169	389
Net obligations due under finance leases	3,949	3,143
Amounts owed to group undertakings	4,282	6,307
Other creditors	<u>196</u>	<u>25</u>
	8,596	9,864
ii) After more than one year		
Net obligations due under finance leases:	6,111	9,430
	<u><u>14,707</u></u>	<u><u>19,294</u></u>

LOMBARD VENTURE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. RESIDUAL VALUE EXPOSURES

The table below gives details in respect of unguaranteed residual values included in the carrying value of finance lease assets at the balance sheet date.

	Year in which residual value will be recovered				Total
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 31 December 2003	<u>64</u>	<u>95</u>	<u>1</u>	<u>-</u>	<u>160</u>
At 31 December 2002	<u>106</u>	<u>50</u>	<u>95</u>	<u>-</u>	<u>251</u>

14. ULTIMATE PARENT UNDERTAKING

The company's immediate parent company is Lombard North Central PLC.

The company's ultimate holding company, ultimate controlling party, and the parent of the largest and smallest group into which the company is consolidated is The Royal Bank of Scotland Group plc which is incorporated in Great Britain and registered in Scotland. Financial statements for The Royal Bank of Scotland Group plc can be obtained from The Royal Bank of Scotland, 42 St Andrew Square, Edinburgh, EH2 2YE.

15. RELATED PARTY TRANSACTIONS

The company is exempt from the requirement of Financial Reporting Standard 8 "Related Party Disclosures" to disclose transactions and balances with other subsidiaries or investees of The Royal Bank of Scotland Group plc as the company's results are included in the consolidated financial statements of The Royal Bank of Scotland Group plc.